Project Startup Report

Project Name: ITTP System Replacement Project – Phase 1/Preparation Phase

Agency: Workforce Safety & Insurance

Business Unit/Program Area: All

Project Sponsor: Jim Long, Chief of Support Services, WSI

Project Manager: Justin Data, Enterprise Project Manager, ITD

Project Description

The Information Technology Transformation Program (ITTP) System Replacement Project includes the replacement of existing core WSI business applications with a Commercial-Off-The-Shelf (COTS) seamless, integrated software solution. Phase 1 of this multi-year project, the Preparation Phase, includes activities designed to survey for potential COTS solutions, gather system requirements, execute an RFP process, cleanse data, establish new in-house technology-related procedures, and begin re-organizing the WSI Information Technology (IT) department.

WSI's existing applications are currently used for processing and administering approximately 20,000 policy holder accounts with an annual gross earned premium of approximately $114 million and over 20,000 claims each year with annual claims benefits of approximately $85 million. The bulk of the current information systems that support WSI business operations were developed approximately 10 to 15 years ago.

According to an assessment conducted by Gartner, Inc., operational expenditures to maintain these systems are 20% higher than industry averages. 75% of IT staff time is consumed by maintaining and enhancing the existing applications. Additionally, according to the Gartner Assessment, WSI's current system:

- "…is not positioned to provide future capabilities for ND-WSI or strategic or transformative support."
- "… do[es] not provide a number of the features and functions provided by most current insurance claims processing solutions."
- "… will require a number of significant enhancements, and system acquisition and integration efforts, in order to address the strategic outcomes defined by ND-WSI."
- "The technology and application architecture, upon which CMS are built, limits the ability to meet new and emerging business requirements."
- And, "… is in a state of transition which may place ND-WSI in a position where software platforms are unsupported or incompatible."

Gartner therefore states that WSI should:

- "… initiate the [system] replacement as soon as possible. The replacement project will take at least three years to complete under the best of conditions. The cost to run and maintain [the existing system] and the technology risks inherent in the current platform will continue to increase and may eventually become unmanageable."

Software vendors have developed COTS workers' compensation software solutions that contain much of the core functionality needed for a new system. Through the procurement and implementation of a COTS solution, WSI management intends to leverage the solution's included application architecture and software, and shift the IT staff's work focus from maintenance activities to configuring the new system with WSI's business rules.

Project Startup Report

Benefits to Be Achieved	
Project Objectives	Measurement Description
Phase 1 Objective: Create Detailed System Requirements	• System requirements document produced
Phase 1 Objective: Gain understanding of potential vendor, system, cost and timeline	• RFP developed • Vendor responses evaluated • Vendor, solution selected
Phase 1 Objective: Improve WSI data integrity	• Current system has 900+ data tables. Table count should be reduced by 100-200, for a total of 700+ • Manual planned and organized fixing of data into application releases
Phase 1 Objective: Restructure IT Department	• IT restructure planning documentation completed • Skills analysis document completed • Job descriptions updated
Phase 1 Objective: Methodologies and processes created for business process management (BPM), project management (PM), and software development lifecycle (SDLC)	• BPM process documented • PM process documentation and templates produced • SDLC process documented
Phase 1 Objective: Service Oriented Architecture (SOA) research and training	• Information Technology Architecture plan completed • SOA training sessions held for management and IT staff
Full Project Objective: Achieve a 4% reduction in annual claims costs, which equates to $3.4M annually subsequent to implementation of the new system	• Baseline – WSI will take an actuarial measurement calculation that includes claims costs, IBNR (incurred but not reported), case reserves, and any future legislative changes (e.g., HIPAA). This measurement is already being taken by WSI. An activity will be added within the planning phase of the project plan to capture this measurement for this project • Measured at end – WSI will take an actuarial measurement calculation that includes claims costs, IBNR (incurred but not reported), case reserves, and any future legislative changes (e.g., HIPAA). An activity will be added within the post implementation phase of the project plan to capture this measurement for this project
Full Project Objective: Provide 24/7 Internet or Web access to employer account and claim information	• Baseline – An activity will be added within the planning phase of the project to capture a list of the current online services provided by WSI • Measured at end – An activity will be added within the post implementation phase of the project to capture a list of the online services provided by the new system

Project Startup Report

Key Metrics		
Phase 1:		
Project Start Date	**Estimated Length of Project**	**Estimated Cost**
June 2006	1 year	$341,000
Entire System Replacement:		
Project Start Date	**Estimated Length of Project**	**Estimated Cost**
July 2007	2 ½ to 3 ½ years	$8 million to $14 million
Note: Project duration and cost contingent upon vendor proposal for COTS solution.		

Key Constraints or Risks

- Funding for the project (other than for Phase 1/Preparation Phase) must be approved by the Legislature during the 2007 legislative session
- Implementation of COTS solution cannot begin before funding authority is granted
- With the decision to utilize a COTS solution, WSI runs the risk that certain elements of desired functionality may not be available within the system, thus requiring more customization than anticipated
- The existing WSI systems will need to be used and maintained while the COTS system is implemented. Potential impacts to resources and schedule are unclear at this time.

Project Closeout Report

Presented to the IT Committee Month NN, 200N

Project Name: ITTP System Replacement Project – *Phase 1/Preparation Phase*

Agency: Workforce Safety & Insurance

Business Unit/Program Area: All

Project Sponsor: Jim Long, Chief of Support Services, WSI

Project Manager: Justin Data, Project Manager III, ITD

	Measurements – Phase 1	
Project Objectives	Met/ Not Met	Description
Phase 1 Objective: Create Detailed System Requirements	Met	A comprehensive business requirements document was produced, leveraging over 20 business teams at WSI, and passing through a line by line executive review. This document was used to drive the scope definition of the COTS system in the RFP process. The document contained key requirements for 32 business categories.
Phase 1 Objective: Gain understanding of potential vendor, system, cost and timeline	Met	Two RFPs were ultimately issued. The first one evaluated COTS systems. The chosen software, iVOS, from Valley Oak Systems, was the clear winner as it met the bulk of the requirements. During the course of evaluating this RFP, however, it became apparent that it would be beneficial to WSI and to the state to procure additional "integration services," which could not be provided by the COTS vendor. A second RFP was issued for these services. The winning bidder was Deloitte Consulting. Deloitte, however, was unable to agree to the terms of the state's indemnity provision, so was disqualified, and Vendor B, HCL, was selected. The proposals from – and selection of – Valley Oak and HCL fulfilled the objective.
Phase 1 Objective: Improve WSI data integrity	Met	Original objective was to reduce the table count from 900+ to 700+. The final, cleansed deliverables contains 651 tables.
Phase 1 Objective: Restructure IT Department	Partially Met	This objective was only partially met. Per original expectations, the existing organization was analyzed, and proposals were made for potential re-organizations of the I.S. department. However, it was determined that to be able to accurately decide on the final re-org, that the final COTS vendor and tool would need to be selected and consulted, and that certain technical recommendations in the proposals needed additional research and cost-benefit analysis. Therefore, an executive decision was made to hold off on the actual reorganization until phase 2, which is the implementation phase of the COTS system. Additional technical analysis related to this re-org has been written into the scope of work for the previously mentioned integration vendor's contract. The cost related to this work in phase 1 was removed from the phase 1 budget.
Phase 1 Objective: Methodologies and processes created for	Partially Met	In the initial project scope statement, three methodologies were going to be produced. Through the course of the project, however, the scope was reduced to deliver only one

business process management (BPM), project management (PM), and software development lifecycle (SDLC)		methodology (related cost was reduced as well). The BPM was removed from scope because after the project began, a new FTE was hired as a Quality Director, and it was determined that one of her long-term strategic goals would be to create the BPM process. The SDLC was removed from scope because it was determined that there were too many unanswered questions that needed to be resolved as a part of the IS Restructure, and as part of the selection of the COTS system, in order to begin creating an SDLC. The PM methodology is the one that was created. Deliverables for this include a set of processes and templates based on the state standards, guidebook, and Project Management Body of Knowledge. Additionally a PM Methodology web site was created for easy access to the assets. This process is now in use at WSI.
Phase 1 Objective: Service Oriented Architecture (SOA) research and training	Met	The plan for SOA research and training included having training sessions delivered to management and staff at WSI, and then determining if it was necessary to continue drafting an SOA architecture plan. The training was delivered. It was then determined that the SOA concept is yet too immature to necessitate pursuing a full blown architectural plan. SOA concepts, however, will be incorporated into the technical specifications for the implementation phase.

Schedule Objectives – Phase 1			
Met/ Not Met	Scheduled Completion Date	Actual Completion Date	Variance
Not Met	July 2, 2007	Sept. 28, 2007	-21%. All deliverables for the project were completed within variance, except for one. The one was finalizing a contract with the integration vendor. Contract negotiations broke down with the initial award winner, Deloitte Consulting. They were disqualified, but then protested to WSI and to State Procurement. Between dealing with a prolonged negotiation with them, and with having to wait for two protest periods to end, we could not close the project on time. Meanwhile, we had negotiated a contract with vendor B but could not sign and close the project until Deloitte's protest period was completed.

Budget Objectives – Phase 1			
Met/ Not Met	Baseline Budget	Actual Expenditures	Variance
Met	Baseline 1: $341,000 Baseline 2: $269,500	$237,979	12% under budget. This percentage is reflective of what we expected to pay in line with the reduced scope items that were detailed in the objectives section of this report.

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Major Scope Changes – Phase 1
1. The need to issue a second RFP was added. No additional external cost was related to this change. 2. BPM methodology removed from the scope (and related external cost) 3. Portions of IS Restructure not to be completed were removed from the scope (and related external cost) 4. SDLC methodology removed from the scope (and related external cost)

Lessons Learned – Phase 1
▪ Requirements Gathering o When gathering requirements, focus on the meaning and don't get caught up in the wording until you have realized the intent of the requirement. o Make sure the process for gathering requirements is not only defined up front, but is thoroughly communicated, the same way, to all groups responsible for gathering the requirements. The process must be uniform, and understood in the same fashion by all teams. Be careful that depending on who may be in attendance the process may change based solely on their opinion and leave that group doing things differently than the rest of the teams, creating inconsistency in the output. o Staff are sometimes more apt to discuss what they really need and want for requirements when supervisors are not present. o If the executive team changes the requirements, those changes need to be fully communicated to the entire team. ▪ RFP Process o It is advisable to add additional time to your project schedule to account for potential protest periods. o Even if a vendor agrees to the terms of the state contract in their proposal, that does not mean that they have any intention of actually agreeing to it once they win the bid. o The unlimited liability provision in the state contract is a serious point of contention for vendors responding to state RFPs o The Attorney General's office will not grant a waiver to limit the liability of a vendor if that vendor is only providing services (and not software). o For a project of this magnitude, consider the potential need for an integration vendor first, before issuing the product RFP. That integration vendor could potentially be helpful in the product selection process as well. ▪ Data Cleansing o It is a good idea to being cleansing data as far in advance of a system implementation as possible, because you never know what you might find in the tables once you dive into it. ▪ I.S. Restructure o If you are planning to restructure the I.S. department to accommodate changes that will be brought on by the implementation of a COTS system, it is beneficial to have first selected the COTS system ▪ Methodologies o Don't embark on a major process definition effort if the organization isn't at the appropriate maturity level to either need it, or to work on it. o If you are going to be installing a new COTS system that could potentially completely revamp your technical skill set, wait for the system to be chosen before trying to work on a new SDLC. o Before looking outside of state government for examples of methodologies, begin by consulting colleagues in other agencies. (An example as defined in the CIBER report stated that as an SDLC exists for Java development at ITD, it would make sense to first investigate ITD's SDLC before looking externally of state government to create a new SDLC)

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- SOA
  - Selecting the right trainer is key, yet difficult.
  - Don't present training that is overly technical to the business staff.

Success Story – Phase 1

- Requirements Gathering
  - Having skilled, dedicated business analysts in charge of requirements gathering helps ensure success in the output of the process.
  - Final requirements document that went into the RFP was said to be by one vendor, the best requirements document they ever responded to in an RFP. Taking the effort to well define what is needed in the RFP really helped the team to confidently select the best product.
- RFP Process
  - WSI feels they got the best product possible out of the RFP process.
  - Additionally, the integration vendor that has been contracted has so far proved to be an excellent fit in their methodologies related to project management (similar to what the State of ND EPM group suggests).
- Data Cleansing
  - Beginning the data cleansing initiative so far in advance of the system implementation helped to put the organization on the best foot when it comes time to map and migrate that data into the new system
- I.S. Restructure
  - The restructuring report that was created was as good as a report can be (given the time and budget constraints). WSI contracted with a CIBER consultant (Greg Powers) to analyze the staffing situation and provide recommendations. The report will remain the basis of what will transpire in phase 2 regarding the restructure.
- Methodologies
  - A robust project management methodology with templates customized for WSI was delivered and is in use today.
- SOA
  - Educating the organization about new technologies helped the staff make a more informed strategic decision.